

5 PAGES

1 THOMAS A. WILLOUGHBY, State Bar No. 137597  
2 LAUREN M. KAWANO, State Bar No. 309273  
3 FELDERSTEIN FITZGERALD  
4 WILLOUGHBY PASCUZZI & RIOS LLP  
5 500 Capitol Mall, Suite 2250  
Sacramento, CA 95814  
Telephone: (916) 329-7400  
Facsimile: (916) 329-7435  
e-mail: [twilloughby@ffwplaw.com](mailto:twilloughby@ffwplaw.com)  
e-mail: [lkawano@ffwplaw.com](mailto:lkawano@ffwplaw.com)

Attorneys for Debtor in Possession

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF CALIFORNIA  
SACRAMENTO DIVISION

In re:

RUSSELL WAYNE LESTER, an individual, dba Dixon Ridge Farms,

### Debtor in Possession.

CASE NO.: 20-24123-E-11

## Chapter 11

## DCN: FWP-2

## Sixth Interim

Hearing: February 4, 2021

Time: 11:30 a.m.

Courtroom: 33 – Judge Ronald H. Sargis  
501 I Street, 6<sup>th</sup> Floor  
Sacramento, CA

**SIXTH INTERIM ORDER ON DEBTOR IN POSSESSION'S EMERGENCY  
MOTION FOR AN ORDER (A) AUTHORIZING INTERIM AND FINAL USE OF  
CASH COLLATERAL; (B) GRANTING REPLACEMENT LIENS; AND  
(C) SCHEDULING FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

22 The sixth preliminary hearing on the Emergency Motion for an Order (A) Authorizing  
23 Interim and Final Use of Cash Collateral; (B) Granting Replacement Liens; and (C) Scheduling  
24 Final Hearing Pursuant to Bankruptcy Rule 4001 (the “Motion”), submitted by the above-  
25 captioned Debtor in Possession (“Debtor in Possession”) was heard by this Court on February 4,  
26 2021 at 11:30 a.m., in Courtroom 33 of the United States Bankruptcy Court for the Eastern District  
27 of California. The Debtor in Possession appeared through its counsel, Thomas A. Willoughby of  
28 Felderstein Fitzgerald Willoughby Pascuzzi & Rios LLP. Other appearances were noted on the

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uary 05, 2021  
.S. BANKRUPTCY COURT  
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1 record. The Court having made findings of fact and conclusions of law on the record and finding  
2 that notice was adequate under the circumstances and that good cause exists therefor,

3 **IT IS HEREBY ORDERED THAT:**

4 1. The Motion is **GRANTED** to the extent provided herein.  
5 2. The Debtor in Possession is authorized to use the cash collateral of First Northern  
6 Bank (“FNB”) and Prudential Insurance Company of America (“Prudential”) and any disputed  
7 producer lien creditors that may exist (collectively, “Secured Creditors”) on an interim basis for  
8 the period beginning February 5, 2021 and ending February 26, 2021, for necessary expenses in  
9 the amount of \$108,608.00 plus a 10% variance for emergencies through the week of February  
10 26, 2021 as set forth in the budget attached as **Exhibit A** to this Court’s Fifth Interim Order on the  
11 Motion (Docket No. 306).

12 3. The Debtor in Possession is further authorized to use up to \$15,000.00 of the  
13 authorized amount to pay for the mediation fees of the Honorable Randall J. Newsome (Ret.) of  
14 JAMS to mediate various disputes between the Debtor in Possession and secured creditors  
15 Prudential and FNB.

16 4. In addition to the existing rights and interests of the Secured Creditors in the Cash  
17 Collateral and for the purpose of attempting to provide adequate protection for the interests of the  
18 Secured Creditors, to the extent of any diminution in Secured Creditor’s interest in the Debtor in  
19 Possession’s pre-petition cash collateral caused by Debtor in Possession’s post-petition use of  
20 such pre-petition cash collateral, Secured Creditors are granted:

21 a. A valid, perfected, and enforceable replacement lien under Sections 105,  
22 361(2), and 363(e) of the Bankruptcy Code in the Debtor in Possession’s post-petition cash  
23 collateral and proceeds thereof to the same extent and with the same priority that Secured  
24 Creditors’ held in the Debtor in Possession’s pre-petition cash collateral as of the Petition Date,  
25 (the “Cash Collateral Replacement Lien”);

26 b. A valid, perfected, and enforceable replacement lien under Sections 105,  
27 361(2), and 363(e) of the Bankruptcy Code in the Conservation Easement, as defined in the  
28 Motion, to the same extent and with the same priority that Secured Creditors held in the Debtor in

1 Possession's pre-petition cash collateral as of the Petition Date (the "Conservation Easement  
2 Replacement Lien");

3 c. The Conservation Easement Replacement Lien shall be subordinated to all  
4 the expenses of administration (including professional fees) of any trustee later appointed in this  
5 case pursuant to Local Rule 4001-1(c)(4)(B);

6 5. In addition to the existing rights and interests of FNB in the Cash Collateral and  
7 for the purpose of attempting to provide adequate protection for the interests of FNB, to the extent  
8 of any diminution in FNB's interest in the Debtor in Possession's pre-petition cash collateral  
9 caused by Debtor in Possession's post-petition use of such pre-petition cash collateral, FNB, is  
10 granted:

11 a. A valid, perfected, and enforceable replacement lien under Sections 105,  
12 361(2), and 363(e) of the Bankruptcy Code in the Putah Creek Road real property, as defined in  
13 the Motion to the same extent and validity of the lien of FNB held in the Debtor in Possession's  
14 pre-petition cash collateral as of the Petition Date (the "Putah Creek Replacement Lien");

15 b. The Putah Creek Replacement Lien shall be subordinated to all the  
16 expenses of administration (including professional fees) of any trustee later appointed in this case  
17 pursuant to Local Rule 4001-1(c)(4)(B);

18 c. To the extent that FNB does not already possess a valid, first priority lien  
19 in the Debtor in Possession's crops now growing or grown in the 2020 crop year (the "2020  
20 Crops"), a valid, perfected, and enforceable priming first-priority priming lien, to the extent it  
21 does not already possess such a lien, under Sections 105, 361(2), and 364(d) of the Bankruptcy  
22 Code on the 2020 Crops, senior in priority to any other security interests and liens in the 2020  
23 Crops, to the same extent and with the same priority that Secured Creditors held in the Debtor in  
24 Possession's pre-petition cash collateral as of the Petition Date (the "Post-Petition Crop Lien");

25 6. The Cash Collateral Replacement Lien, the Conservation Easement Replacement  
26 Lien, the Putah Creek Replacement Lien, and the Post-Petition Crop Lien (collectively the  
27 "Replacement Liens") are automatically deemed perfected upon entry of this Order without the  
28 necessity of Secured Creditors taking possession, filing financing statements, mortgages or other

1 documents. The Replacement Collateral herein granted: (i) are and shall be in addition to all  
2 security interests, liens and rights of set-off existing in favor of the Secured Creditors on the  
3 Petition Date; and (ii) shall secure the payment of indebtedness to the Secured Creditors in an  
4 amount equal to the actual diminution in value of the Cash Collateral on and after the Petition  
5 Date resulting from the Debtor in Possession's use of Cash Collateral;

6       7. In addition to the Replacement Collateral granted to the Secured Creditors pursuant  
7 to this Final Order, the Secured Creditors are hereby granted a super-priority administrative claim  
8 under Sections 503(b)(1), 507(a), and 507(b) of the Bankruptcy Code (the "507(b) Claims") for  
9 the amount by which adequate protection afforded herein for the amount of the diminution in  
10 Secured Creditors' pre-petition cash collateral after all Replacement Liens have been exhausted.  
11 Such 507(b) Claims shall have priority over all other costs and expenses of the kind specified in  
12 or ordered pursuant to Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 of the  
13 Bankruptcy Code, except for the Office of the United States Trustee Fees;

14       8. Except as provided herein in paragraph 5(c) above, none of the Replacement Liens  
15 shall prime or impair any valid and previously perfected security or lien interests in the  
16 replacement collateral. Nothing contained in this Order shall be deemed a finding with respect to  
17 adequate protection (as such term is defined in Section 361 of the Bankruptcy Code) of the  
18 interests of Secured Creditors.

19       9. Within (7) days of the end of each week in which the Debtor in Possession uses  
20 cash collateral pursuant to the terms of this Order (a "Budgeted Week"), the Debtor in Possession  
21 shall provide weekly periodic accounts to the Secured Creditors' counsel that request such  
22 accountings setting forth the cash receipts and disbursements made by the Debtor in Possession  
23 under this Order -- such accounting shall include, a simple cash out cash in ledger or report, during  
24 the preceding Budgeted Week, and also a simple financial performance report for that same  
25 Budgeted Week that provides forecast receipts, actual receipts, forecast expenditures and actual  
26 expenditures;

27       10. A final hearing shall be held on the Debtor in Possession's Motion on February 23,  
28 2021, at 10:30 a.m. in the above-entitled Court, with notice of said hearing to be served by the

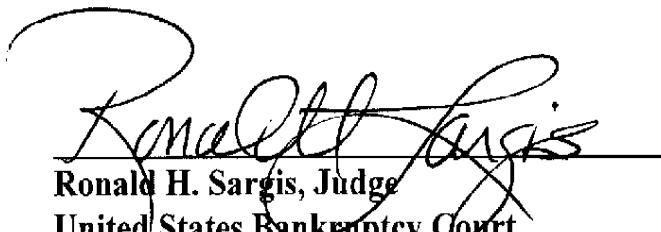
1 Debtor in Possession on or before February 8, 2021, on the United States Trustee, FNB,  
2 Prudential, and the 20 largest unsecured creditors identified in the list filed by the Debtor in  
3 Possession pursuant to Rule 4001(d) or the Federal Rules of Bankruptcy Procedure, and on all  
4 parties who have requested special notice pursuant to revisions of Rule 2002(i) of the Federal  
5 Rules of Bankruptcy Procedure.

6 11. The positions and reservations of rights taken in all prior oppositions and replies  
7 are preserved for subsequent hearings on this Motion.

8 12. Any supplemental oppositions to the Motion shall not exceed five (5) pages in  
9 length including the title page and shall be filed on or prior to February 16, 2021 with any  
10 supplemental reply being filed on or prior to February 21, 2021.

11 **Dated:** February 08, 2021

12 **By the Court**



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17  
18 Ronald H. Sargis, Judge  
19 United States Bankruptcy Court

20 Approved as to Form:

21 **PRUDENTIAL INSURANCE  
COMPANY OF AMERICA**

22 By:

23 Jason J. DeJonker, Counsel for Prudential  
24 Life Insurance Company

25 **KRAFT LAW**

26 By:

27 Douglas Kraft, Counsel for First  
28 Northern Bank of Dixon

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19  
20 Date: \_\_\_\_\_

21 **UNITED STATES BANKRUPTCY JUDGE**

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COMPANY OF AMERICA**

24 By: \_\_\_\_\_

25 Jason J. DeJonker, Counsel for Prudential  
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Douglas Kraft, Counsel for First  
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Douglas Kraft, Counsel for First  
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